[redacted]

IRANIAN CRISIS ECONOMIC BRIEF No. 1

Iran: Moving Assets and Overcoming Financing Obstacles

The Central Bank of Iran (Bank-Markazi) is apparently undertaking a concerted effort to secure and diversify its unblocked foreign assets. In recent days, Markazi has transferred $300 million from London to Vienna, opened new franc and dollar accounts in three Paris banks, and established short-term time deposits with the central banks of Algeria ($245 million) and Libya ($66 million). It has also purchased considerable quantities (at least 12 tons) of gold. These transactions represent about 6 percent of Iran's foreign official reserve assets. ([redacted] 25X1

Letters of credit (L/C) are again being issued for exports to Iran by many banks of the industrial world, although off setting Iranian deposits are often required to cover the L/Cs. LDC banks still are reluctant to provide financing but are expected to soon follow the lead. [redacted] 25X1

Iranian import regulations implemented last week in an attempt to control the illegal export of foreign exchange have apparently been rescinded. The regulations had prohibited Iranian banks from accepting any new L/Cs unless the opener of the L/C could prove that he had imported the same cargo in 1978 and that the price of the cargo was not more than 10 percent higher. The Iranian Ministry of Commerce notified Japanese Commerce and Industry officials that amid an outpouring of complaints, Bank Markazi had revised the regulations. The new regulations apparently were causing great confusion as well as delays in shipment of urgently needed materials. They also were proving ineffective in curbing over-invoicing practices. 25X1 [redacted]

Japan: Stepping Back from Oil Deals but Looking to Trade Opportunities

Japanese trading companies have rejected the National Iranian Oil Company's (NIOC) opening proposal for signing 1980 contracts as too costly. Negotiations have been postponed until after the OPEC meetings; the Japanese representatives returned to Japan for consultations. NIOC offered the Japanese and two 25X1

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Maritime Insurance

The Persian Gulf is still classified as a "war zone" by the international insurance community. Rates on shipping to the area have been quadrupled and, to prevent an excessive concentration of risk, a limit has been placed on the number of ships able to be insured for visits to Iran at one time. [redacted] 25X1

As a result of the premium boost, tankers and dry cargo ships visiting Gulf ports pay a special premium of .025 percent of the insured value of the ship for each port call of up to 14 days; vessels visiting Iranian ports pay .075 percent. These charges are in addition to a normal annual worldwide war risk premium of .025 percent covering potential danger spots. [redacted] 25X1

While not a major cause of the recent trend toward cancellations of ship visits to Iran, the increase in insurance premiums will undoubtedly increase incentives to withdraw from the trade. So far, they have added about 15 cents per barrel to the price of Iranian crude. [redacted] 25X1

Aviation

Since early November, Iran's international air links have been reduced and Iran Air's status as a regional leader in civil aviation has been nullified by internal political developments. Flight information for December shows that Iran Air -- besides losing the lucrative US market -- has stopped service to several important cities including Brussels, Bonn, Edinburgh, Madrid, Melbourne, Shannon, Venice and Zurich. In addition, foreign carriers serving Iran have announced that service to Tehran would be suspended until further notice. [redacted] 25X1 25X1

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